



Kalamazoo
Foundation for
Excellence

Agenda FFE Board of Directors

Monday, February 27, 2023

2:00 PM

City Hall – Community Room, Second Floor - 241 West South Street

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve Minutes of 10.24.2022

C. REPORTS AND COMMUNICATIONS

1. Staff Reports
2. Finance Committee
3. Executive Committee
4. Nominating Committee

D. REGULAR AGENDA

E. PUBLIC COMMENTS

F. BOARD MEMBER COMMENTS

G. ADJOURNMENT

KALAMAZOO FOUNDATION OF EXCELLENCE

PUBLIC COMMENT RULES

General information about the Foundation for Excellence (FFE) including board meeting schedules, meeting agendas and minutes, bylaws, and much more can be accessed at: <https://www.kalamazoocity.org/ffe>.

Agendas and previous minutes and video streams for FFE meetings are available directly at: <https://kalamazoomi.civicclerk.com/>.

Questions regarding agenda items may be answered prior to the meeting by contacting the FFE Manager at 269.337.8047 or ffe@kalamazoocity.org.

Meetings are held in person at Kalamazoo City Hall, 241 W. South St. 49007. Meetings of the full Board are also streamed live and archived on the City's Facebook page (<https://www.facebook.com/KalamazooCity/>) and YouTube Channel (www.kalamazoocity.org/youtube).

Persons attending a regular or special meeting of the Board of Directors of the Kalamazoo Foundation for Excellence are permitted to address the Board at the noted time on the Agenda and in conformity with this rule and the Michigan Open Meetings Act.

An individual wishing to address the Board shall wait to be recognized by the presiding officer. A person addressing the Board shall provide their name and whether they are a resident of the City. Remarks by a speaker shall be confined to matters within the purview of the Board and FFE. An individual may comment once for up to three (3) minutes. No comment is permitted on secondary or procedural motions to a main motion. A speaker is not permitted to yield any unused portion of speaking time to other speakers. A speaker may be ruled out of order for conduct that interrupts or disrupts the meeting.

Individuals also have the option to provide public comments over the phone at 888.382.9556 during the public comment period announced by staff during the meeting. Callers will enter a queue and be prompted to offer comments in turn. Callers will be given three minutes to comment live.

Updated January 18, 2023.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
BOARD OF DIRECTORS**

MINUTES

DRAFT

Meeting of October 24, 2022

A meeting of the Kalamazoo Foundation of Excellence (KFFE) Board held on Monday, October 24, 2022, in the Community Room of City Hall, 241 W. South St, Kalamazoo, MI was called to order by President Calderon-Huezo at 2:03 pm.

Board members present: Calderon-Huezo, Ritsema, Carrel, Miller, Anderson, Hess, Hofman, Balkema, Bostrom, Harrison (2:06 pm), Lonberg, Salas, A. Taylor (2:07 pm), C. Taylor (2:08 pm), Washington, and Hopewell.

Board members absent: None.

City staff present: Legal Counsel/Recording Secretary Clyde J. Robinson, FFE Manager Steve Brown, Chief Operating Officer Laura Lam, Human Resources Director Shelly Dusek, Diversity, Equity and Inclusion Director Tanya Hewitt-Smith, and Grants Specialist Kerry Lyn Williams.

The minutes of the Annual Meeting held September 12, 2022, were moved for approval by Director Washington and seconded by Director Ritsema. The motion to approve the minutes was adopted by unanimous voice vote.

Mr. Brown introduced Richard Cherry, with the local office of law firm of Miller-Johnson as the recently hired legal counsel for the KFFE, effective November 1, 2022. Mr. Cherry introduced Aimee Jachym and Alex Page of the law firm who, along with John McFarland, (who was not present), will be assisting him in representing the legal interests of the KFFE.

Mr. Brown indicated that there were no Finance Committee or Executive Committee Report.

Mr. Brown presented an amended schedule of 2022 and proposed schedule of 2023 meetings of the Board and its Committees, Director C. Taylor moved to adopt the proposed schedule, Director Bostrom seconded. The motion was approved by unanimous voice vote.

Mr. Brown presented a proposed Draft 2023 FFE grant to the City for inclusion in the 2023 City Budget. The grant proposes \$4,515,219 for budget stabilization, \$13, 986,662 for tax reduction, and \$3,871,492 for aspirational projects, for a total grant award of \$23, 860.732. Director Anderson moved and Director Carrel moved to approve the grant to the City. Director Balkema questioned the line item for personnel and was informed that such was intended to cover expenses associated with the proposed service agreement that the Board would consider later in this meeting. The motion was approved by unanimous voice vote.

Mr. Brown advised the Board of members whose terms were ending and the desire to determine whether those members would be interested in an additional term. Directors Carrel, Salas, and A. Taylor expressed a willingness to serve another term on the Board. Director C. Taylor reluctantly expressed her inability to serve another term. Various board members commented on her valuable contributions and wished her well in her new endeavors. Director C. Taylor thanked the Board for the experience and indicated that she will remain active in the community.

Director Washington, seconded by Director Balkema moved for the appointment of Directors Bostrom, Lonberg, Salas, A. Taylor, and President Calderone-Huezo (as ex officio) to the Nominating Committee. By unanimous voice vote the motion was approved.

Mr. Brown presented the Board with suggested amendments to the KFFE Articles of Incorporation and Bylaws. Over the 5 years since its creation, certain aspects of these documents have become obsolete and should be updated to reflect changes to current practices and processes. Legal Counsel Robinson indicated that once approved by the Board the amendments will be put before the City Commission for approval and then forwarded to the Attorney General for review and approval. He also recommended that a roll call vote be taken on these items.

Director Hess moved and Director Ritsema seconded that the Articles of Incorporation be amended to remove references to a "Governance Facilitator" and the "Kalamazoo Community Foundation"

Voting Yes: Calderon-Huezo, Ritsema, Carrel, Miller, Anderson, Hess, Hofman, Balkema, Bostrom, Harrison, Lonberg, Salas, A. Taylor, C. Taylor, and Washington.

Voting No: None

The motion was unanimously approved.

Director Balkema moved and Director Washington seconded that the KFFE Bylaws be amended to remove references to the "Grant Making Committee", "Governance Facilitator", and "Kalamazoo Community Foundation" and adjust the budget approval deadline appearing in Section 4.05 from October 31 to December 31.

Voting Yes: Calderon-Huezo, Ritsema, Carrel, Miller, Anderson, Hess, Hofman, Balkema, Bostrom, Harrison, Lonberg, Salas, A. Taylor, C. Taylor, and Washington.

Voting No: None

The motion was unanimously approved.

Mr. Brown presented for consideration by the Board the recommendation of the Finance Committee that an updated Investment Consulting Agreement with Zhang Financial, the successor to Merion Capital, whose principal is Chris Ruppel, the current investment advisor, due to the sale of the latter to the former entity. Mr. Ruppel will continue to work with Zhang and be the main point of contact. The contract with Zhang Financial contains the same terms as the existing agreement with Merion. Upon motion made by Director Lonberg, seconded by Director A. Taylor, by unanimous voice vote the action was approved.

Mr. Brown presented to the Board the proposed Support Service Agreement with the City of Kalamazoo in the amount of \$180,000 for 2023. The motion to approve the Agreement subject to review by KFFE Legal Counsel Richard Cherry by December 12, 2022 was made by Director Hess and seconded by Director Carrel. Upon unanimous voice vote, the motion was approved.

Mr. Brown presented to the Board a draft version of the Grant Agreement with the City of Kalamazoo. He stressed in response to an inquiry by Director Balkema that this was only a draft and that a final version would be presented to the Board for approval before execution by the Board President. Director Ritsema asked if he was conflicted since he would be the signatory for the City if approved. FFE Attorney Robinson explained that there was no conflict in this circumstance.

Director C. Taylor moved, and Director Miller seconded that the proposed Service Agreement with the City be referred to KFFE Legal Counsel Richard Cherry for review and finalization by December 12, 2022.

Mr. Brown presented to the Board the draft Executive Director position description as recommended by the Executive Committee. A motion to approve the position description as recommended was made by Director Miller and seconded by Director Hofman. Upon unanimous voice vote the motion was approved.

Mr. Brown presented to the Board a draft Executive Director Employment Agreement as recommended by the Executive Committee. Discussion ensued regarding adoption of the City of Kalamazoo employee conduct standards for non-union employees. Legal Counsel Robinson recommended that the conduct standards be added as an addendum or exhibit to the employment agreement. Concerns were also voiced regarding how paid time off (PTO) such as sick days, holidays and vacation should be handled. Human Resources Director Dusek recommended keeping vacation and sick days separate and noted that the earlier action of the Board in tentatively approving the Service Agreement with the City addresses these types of payroll questions. Several directors commented on the blended aspects of having the KFFE Executive Director working closely with City staff provides greater flexibility for both entities. Legal Counsel Richard Cherry indicated that he would review the proposed agreement and answer any questions regarding its operation, but that despite its reference to certain City policies and processes, the Executive Director would be an employee of the Board. Director Washington moved and Director C. Taylor seconded that the draft agreement be approved subject to review by legal counsel by December 12, 2022. By voice vote the motion was approved.

The Board undertook discussion of the recommendation by the Executive Committee that Steve Brown be appointed the Executive Director, subject to City Commission approval and successful completion of an employment agreement. Director Miller, seconded by Director C. Taylor moved that Steve Brown be made a conditional offer of employment as KFFE Executive Director subject to City Commission approval and review of the employment contract. Director Balkema questioned whether the Board was moving too quickly given that only a draft version of an employment agreement has been approved. Director Harrison requested some background regarding the process that was used leading to the recommendation. Both President Calderone-Huezo and Treasurer Carrel indicated that the recommendation of the Executive Committee was the result of lengthy discussion and cited the recognition that at this point in the existence of the KFFE, that Mr. Brown uniquely positioned as the best choice for the position; that entertaining a search process which would not likely change the recognition of that fact would be a waste of time and resources. Director Washington commented that given the shift of the organization, as reflected by the earlier actions amended the Article of Incorporation and Bylaws, that Mr. Brown provided the needed continuity to the transition. Director Harrison appreciated the explanation and felt that he was in a better position to explain the reasoning behind taking the recommended action. Attorney Robinson recommended that this action be taken by a roll call vote.

Voting Yes: Calderon-Huezo, Ritsema, Carrel, Miller, Anderson, Hess, Hofman, Balkema, Bostrom, Harrison, Lonberg, Salas, A. Taylor, C. Taylor, and Washington.

Voting No: None

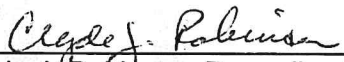
The motion was declared unanimously approved by President Calderone-Huezo.

President Calderon-Huezo asked if there was any public comment for persons present in the room and there was none ; she asked if there were any persons calling into to make a comment and was informed by Ms. Williams that there were none.

President Calderon-Huezo asked if there were any Board Member Comments. Director Ritsema noted that the changes approved at this meeting reflected the maturation of the KFEE. Director Washington expressed his appreciation to the other members and committees for the work and ensuing discussions on what are difficult issues. He also expressed his thanks to Director C. Taylor for her service. Director C. Taylor commented that it has been a wonderful, educational experience to serve and expressed her thanks to the other Board members. Director Anderson expressed his agreement with the comments of Director Washington. President Calderon-Huezo indicated that the nomination process for new board members will be a fair, equitable process based on the Kalamazoo Community Foundation procedures. Mr. Brown echoed those remarks and indicated that the process will be more stream-lined.

President Calderon-Huezo adjourned the meeting at 3:25 pm

Minutes Drafted: October 28, 2022


Clyde J. Robinson, Recording Secretary

Minutes Approved: _____



Kalamazoo
Foundation for
Excellence

FFE Board of Directors Staff Report

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, FFE Executive Director

DATE: February 27, 2023

SUBJECT: Staff Reports

RECOMMEDATION:

A recommendation is sought to approve the attached proposal from Hopkins Fundraising Consulting of Ada, Michigan, for \$25,000 to conduct an endowment development feasibility study between June 1 and August 31, 2023, and approve the President to sign all related documents.

BACKGROUND:

- Administrative Updates
 - The Service Agreement with the City of Kalamazoo was approved by the FFE Board in 2022 and approved by City Commission on February 6, 2023 (G9).
 - The Grant Agreement with the City of Kalamazoo was tabled until the first aspirational grant from the FFE Endowment to the City in a future fiscal year.
- Policy Review
 - Annual update of standard Conflict of Interest and Confidentiality Policy signatures for all Directors and related personnel.
 - A recap of the policy and required disclosures will be conducted by the Executive Director with time for discussion as needed.
 - General policy review and time for discussion.
 - Engagement Policy review and time for discussion.
- Development
 - Staff have researched optimal firms to conduct a feasibility study regarding long term endowment development.
 - The draft Professional Services memorandum to the City summarizes the qualifications the FFE sought in a proposal as well as four other firms that were considered for the work. The review process helped staff and the Board president arrive at agreement to bring forward a contract proposal for approval.

- The Professional Services memo and Proposal from Hopkins Fundraising are included with this agenda item for approval.

February 21, 2023

Steve Brown
Executive Director
Kalamazoo Foundation for Excellence
241 W. South Street
Kalamazoo, MI 49007

Dear Steve:

Thank you for the invitation to present a proposal for assisting the Kalamazoo Foundation for Excellence with its fundraising needs. I suggest you begin this important process with a pre-campaign feasibility study that will help your organization assess the breadth and depth of support for your proposed fundraising effort.

A detailed description of my services follows below:

I. Deliverable: Pre-Campaign Feasibility Study

- Draft an appropriate cover letter to accompany the case for support.
- Assist the leadership team with the identification of approximately 30 interviewees. These interviewees must have an interest in the Foundation for Excellence and the ability to support the campaign with an individual/corporate/foundation gift or pledge.
- Conduct interviews with the identified list of “opinion leaders.” Interviews will be conducted over seven days (and across several weeks). *Additional interview days can be added at an additional cost of \$1,000/per day.*
- Provide a final report detailing feasibility study findings, including:
 - Reaction to the proposed case for support.
 - Reaction to the project budget.
 - Strengths of the case.
 - Weaknesses of the case.
 - Suggestions regarding campaign leadership.
 - Personal interest in being involved in an organized campaign effort.

- Suggestions regarding other community donors who might support this effort.
 - Willingness and inclination to support the campaign with a personal, corporate, or foundation charitable gift.
 - Timing of the campaign.
 - Other trends identified during the study interviews.
- Provide recommendations regarding moving to a campaign with an identified and achievable campaign goal or delaying a campaign until a more appropriate time.

II. Fees/Timetables for Service: \$25,000

- Service to begin June 1, 2023.
- Service to extend over three months (June, July, August, 2023).
- Service billed at the following rate:
 - i. April: \$8,000
 - ii. May: \$8,500
 - iii. June: \$8,500
- Invoices to be mailed on the 15th of the month, payable by the end of the month.
- Late fee of an additional 3% for invoice payments after the due date.
- Fees quoted in this proposal are effective for 60 days from the date of presentation.

The Kalamazoo Foundation for Excellence also agrees to provide the necessary clerical support needed to effectively implement this feasibility study. Clerical tasks will include researching prospective interviewee contact information, coordinating mailings, duplication, and the scheduling of feasibility study interview appointments. If the Kalamazoo Foundation for Excellence is unable to provide these services, the organization agrees to reimburse Hopkins Fundraising Consulting at an hourly rate of \$55/hour.

III. Implementing this agreement:

Hopkins Fundraising Consulting will perform the above services in accordance with professional fundraising standards and ethics as outlined by the Association of Fundraising Professionals. Additionally, Hopkins Fundraising Consulting will comply with all applicable federal, state, and local laws in meeting the obligations outlined in this contract proposal. By signing this agreement, both parties agree that Hopkins Fundraising Consulting will perform the outlined services as an independent contractor. Nothing in this proposal shall be interpreted to create any joint venture, partnership, or agency or employee relationship between the parties.

This agreement with the Kalamazoo Foundation for Excellence shall include an option for the leadership of the organization to terminate this service, with or without cause, with fourteen days prior written notice to Hopkins Fundraising Consulting. Additionally, Hopkins Fundraising Consulting may terminate this service agreement in the same manner. Payment for monthly service rendered up to the time of the termination notification will be calculated on a pro rata basis.

Changes in the conditions governing this service may require addendums to the contract regarding terms, fees, and duration of service. Should your organization require the additional services of Hopkins Fundraising Consulting, those services will be determined through separate contract agreements.

If you choose to retain Hopkins Fundraising Consulting for the services described above, please sign this original contract, retain a copy for your files, and return the original to: Hopkins Fundraising Consulting, 995 Sargent SE, Ada, MI, 49301.

Hopkins Fundraising Consulting is a registered consultant with the Charitable Trust Division of the Michigan Attorney General's Office.

If you require additional information related to this proposal, please contact Hopkins Fundraising Consulting at (616) 446-4854.

Legal Name of the Organization: _____

Name of Executive Officer: _____

Title: _____

Signature: _____

Date: _____

Michigan Charitable Solicitation License #: _____

Hopkins Fundraising Consulting

Keith Hopkins, President

Signature: _____

Date: _____

Michigan Fundraising License #36771



City of Kalamazoo

INTER-OFFICEMEMO

To: Melissa Fuller, Deputy Director Management Services/Purchasing Agent

From: **Steve Brown, FFE Executive Director**

Date: 2/17/2023

Subject: **FFE Endowment Development Feasibility Study**

It is recommended that the Purchasing Agent approve the purchase of professional services for FFE ENDOWMENT DEVELOPMENT FEASIBILITY STUDY in the amount of \$25,000 with HOPKINS FUNDRAISING CONSULTING.

Memo should include:

1) Type of professional services required;

Provide services related to successful fundraising feasibility studies. Include all the tasks, timelines and fees associated with a study.

Strategic

- Proven success in creating fundraising feasibility studies
- Proven experience and knowledge of endowment campaigns
- Proven success working in Kalamazoo specifically with networks of contact

Specific deliverables

- Draft a cover letter for potential donation interview subjects.
- Assist the leadership team with the identification of approximately 30 interviewees.
- Conduct interviews with the identified list of "opinion leaders."
- Provide a final report detailing feasibility study findings.
- Provide recommendations regarding moving to a campaign with an identified and achievable campaign goal or delaying a campaign until a more appropriate time.

Details

- Begin June 1, 2023
- \$25,000 fee

2) Brief explanation of qualifications this particular firm has that recommend it for this work

- More than 250 clients served
- In business for 16 years
- Raised over \$700 million for nonprofits in SW Michigan
- Unique and extensive client experience and networks in Kalamazoo
- Keith has worked with the nonprofit community for over twenty-eight years. He has been a consultant for over twenty years and founded Hopkins Fundraising Consulting in 2007 when he saw a need in the market for more personalized consulting services. His experience has provided him with vast exposure to a wide variety of nonprofit organizations and the funding challenges they face. He has worked with a multitude of nonprofits including, churches, colleges, athletic organizations, libraries, hospitals, social service agencies, faith-based organizations, camps, arts organizations, educational entities, and museums.

3) Other firms considered (if any) for providing this service.

- Breton Group (Grand Rapids)
- Capital Consulting Associates (Lansing)
- Kennari Consulting (Grand Rapids)
- CCS Fundraising (Global)

The current Purchasing Policy allows for Professional Services up to \$25,000.00

Please let me know if you have any questions.



Kalamazoo
Foundation for
Excellence

FFE Board of Directors Staff Report

TO: Foundation for Excellence Board of Directors

FROM: The Finance Committee
Steve Brown, FFE Executive Director

DATE: February 27, 2023

SUBJECT: Finance Committee

RECOMMEDATION:

This is an informational item.

BACKGROUND:

The Finance Committee Report

- Background
 - Staff and Finance Committee have continued to share concerns about the challenging financial conditions facing the FFE endowment.
 - Suboptimal endowment performance has occurred since the COVID-related economic downturn began.
 - Lower than historic earnings impact the endowment outlook models.
 - The Committee discussed the broader context of all endowments facing similar struggles.
 - Committee members discussed the evident need to take measures to maximize stability of the endowment.
 - Tax Reduction and Budget Stabilization payments to the City each year are required by FFE governing documents.
 - A strategy was identified of reducing the aspirational grant to the City for FY 2024 to the lowest dollar amount possible, up to and including zero.
 - Kalamazoo City has received approximately \$40 million dollars in federal funding known colloquially as ARPA to be used by 2026 that create a positive revenue environment for the City despite the aspirational cuts.
- Next Steps
 - There is a current need to estimate the 2024 fiscal year grant to the City of

- Kalamazoo for FFE and City planning purposes.
- Staff have drafted an inaugural FFE Grant Distribution Memorandum and annual distribution planning table.
- Finance Committee and staff are bringing this draft to the FFE Board for discussion but not action at this meeting.
- Subsequently, the Committee and Staff intend to present a final memorandum for Board approval at the April meeting.
- The FFE Investment Subcommittee report dated 12.31.2022 and subsequent provisional reports will be used for determining the draft and final recommendations.
- Other Business.
 - It was also recommended that the FFE will seek to pay aspirational grants to the City on a reimbursement basis to maximize the time invested and potential returns for all assets unless otherwise requested by the City.



MEMORANDUM

Date: February 27, 2023

To: President Sandra Calderon-Huezo and the Board of Directors

From: Steve Brown, FFE Executive Director

Subject: Fiscal Year 2024 City FFE Budget and Draft Grant Recommendation

1. SUMMARY

This memo conveys the draft recommended amount of the annual FFE grant to the City of Kalamazoo for the 2024 fiscal year in all three areas of FFE funding: tax reduction, budget stabilization, and aspirational investments. The draft recommended 2024 FFE Grant to the City of Kalamazoo is \$18,758,497, which includes \$4,657,512 for budget stabilization, \$14,100,985 for offsetting the tax reduction to City property taxpayers, and \$0 for aspirational activities.

2. CITY PARTNERSHIP

This memo simultaneously serves to signal resource availability to the City of Kalamazoo that will be finalized in the FFE annual budget in or around October of each year as in previous years. The City of Kalamazoo requires accurate and timely information about resource availability to effectively conduct its annual budget processes, including the 'special request' process that matches resources to programs aligned with Imagine Kalamazoo 2025. This process takes place in the first two quarters of the fiscal year in partnership with FFE. The City and FFE share the goal and need to permanently sustain the FFE Endowment for the good of Kalamazoo.

3. GRANT DETAIL

As detailed in the next three subsections, the annual grant amount is determined as set forth in section 9.03 of the bylaws and the FFE's mission to support the goals of the City of Kalamazoo, fund aspirational community investments, and empower Kalamazoo residents to achieve the lives they want for themselves and their families.

City Property Tax Reduction – REQUIRED – Bylaws, Section 9.03, Subsection A states that the tax reduction payment to the City shall be "equal to the difference between the amount that

The Mission of the Kalamazoo Foundation for Excellence is to support the goals of the City of Kalamazoo, fund aspirational investments in the city, and empower Kalamazoo residents to achieve the lives they want for themselves and their families.

the City would have received in real estate tax and personal property tax revenue for the fiscal year-in-question calculated using a millage rate of 19.2705 mills (\$19.2705 per \$1000 of taxable value) less the amount of real and personal property taxes that the City is budgeted to receive for the fiscal year-in-question under the City's proposed millage rate, so as to provide the City a tax rate that is correlative to other municipalities in the Kalamazoo area (...)"

- Estimated difference in taxes under 19.2705 mills and current 12 mills = \$14,100,985

Budget Stabilization— REQUIRED – Bylaws, Section 9.03, Subsection B, states that the budget stabilization payment to the City shall be "\$4 million for budget fiscal 2019 and thereafter adjusted annually by the Municipal Cost Index developed by the American City & County Magazine, or another credible model addressing the price of the unique market basket of goods and services purchased by local governments, to address the structural revenue imbalance to City finances due to Michigan's broken municipal finance system."

- 2017, N/A; 2018, \$3.8M; 2019, \$4M; 2020, \$4.12M; 2021, \$4.23M; 2022, \$4.37; 2023 \$4.51M; 2024 Estimated \$4,657,512.

Aspirational Community Investments - Bylaws, Section 9.03, Subsection C, states that "Additional annual distributions may be approved (...) (i) consistent with the purposes set forth in Article II in the Articles of Incorporation of this Corporation; and, (ii) consistent with donor intent as specified in the Statement of Donor Intent (...)."

4. ENDOWMENT PERFORMANCE

The FFE has a stated goal of achieving an endowment of \$500 million or more to be self-sustaining at its historic levels of grant making to the City of Kalamazoo. The FFE received two major infusions of capital to launch its endowment, including a \$400 million pledge being contributed in \$40 million annual increments over ten years. Given the realities of investment markets during the time of the COVID pandemic, those resources have not accrued new value (i.e., 'grown') as projected using the historical performance of comparable investments overseen by the same investment body as the FFE Investment Subcommittee.

Because the endowment has lost value in absolute terms since the first quarter of 2021, the \$18.7 million of required 2024 grant disbursements to the City for tax reduction and budget stabilization will already spend endowment corpus. The endowment's performance under market realities since the first quarter of 2021 have necessarily put staff on alert to identify and recommend measures that ensure Board financial stewardship duties are fulfilled and the corpus of the endowment is protected.

5. FIGURES

Two figures have been included to help the Board and public better understand the analysis and recommendations in this memo.

The first attached figure titled All Time Net Returns is sourced from the 12.31.2022 FFE Investment Subcommittee report. It depicts each quarterly performance of the FFE endowment in a bar graph and the cumulative net returns. The bumpy downward trend of low and negative returns that began in the first quarter of 2021 accumulated to the far lower net overall return.

The attached figure titled Endowment Scenarios depicts the approximately \$40 million setback of assets that accrued between projections and realities during the COVID pandemic as of December 31, 2022. The lower line represents a new trend line to 2028 based on new projections of endowment growth as well as the proposed protective measures for the endowment: reduction of aspirational funding to zero until 2025 or 2026 followed by a phased resumption of granting activities.

6. BOARD OF DIRECTORS DUTIES

The FFE Board of Directors is the body that must determine the amount of the resources that are available to grant from its endowment each year to the City of Kalamazoo in a manner that stewards the endowment forever. The FFE Board of Directors is required to ensure the endowment maintains resources sufficient to cover the required tax reduction and budget stabilization payments to the City of Kalamazoo each year.

For aspirational dollars, however, the Board is guided to contribute aspirational funding to the City if FFE if doing so does not jeopardize the financial health of the endowment. In fact, adjusting aspirational spending, including to zero, is the method that City leaders embedded in the FFE's governance structure to adjust FFE endowment withdraws to suit changing realities of investment markets.

The FFE Board of Directors must make unenviable funding decisions to fulfill its legal duty to the endowment for which it solely is entrusted. Deliberation must reduce risks and maximize opportunities for permanent financial health.

7. TIMELINE

Staff began a series of conversations with City and Foundation leaders at the February 10, 2022, FFE Board Meeting and again at City Commission business meetings to report on the challenges to the FFE endowment and prepare colleagues for changes to resource availability in 2024.

Preparation

- February 10, 2022 – Staff and Finance Committee report to Board about endowment
- June 21, 2022 – Staff present to City Commission on ARPA and the FFE endowment
- July 2022 – Staff present to City Commission on how to protect the FFE endowment
- October 17 – Staff present draft 2023 budget and FFE endowment to City Commission

Next Steps

- February 27, 2023 – Presentation of endowment forecast and Draft Grant Memo
- April 10, 2023 – Finance Committee Final Review and Grant Recommendation to Board
- **April 24, 2023 – FFE Board Approval of Draft Grant Recommendation sought**
- September 25, 2023 – Draft 2024 FFE Budget and Grant Memo to City of Kalamazoo
- **October 30, 2023* – FFE Board Approval of Final 2024 Budget and Grant to City sought**
- January 2024 – City Commission approves 2024 budget including FFE Grant(s)

**Meeting may be moved to December*

8. CONCLUSION

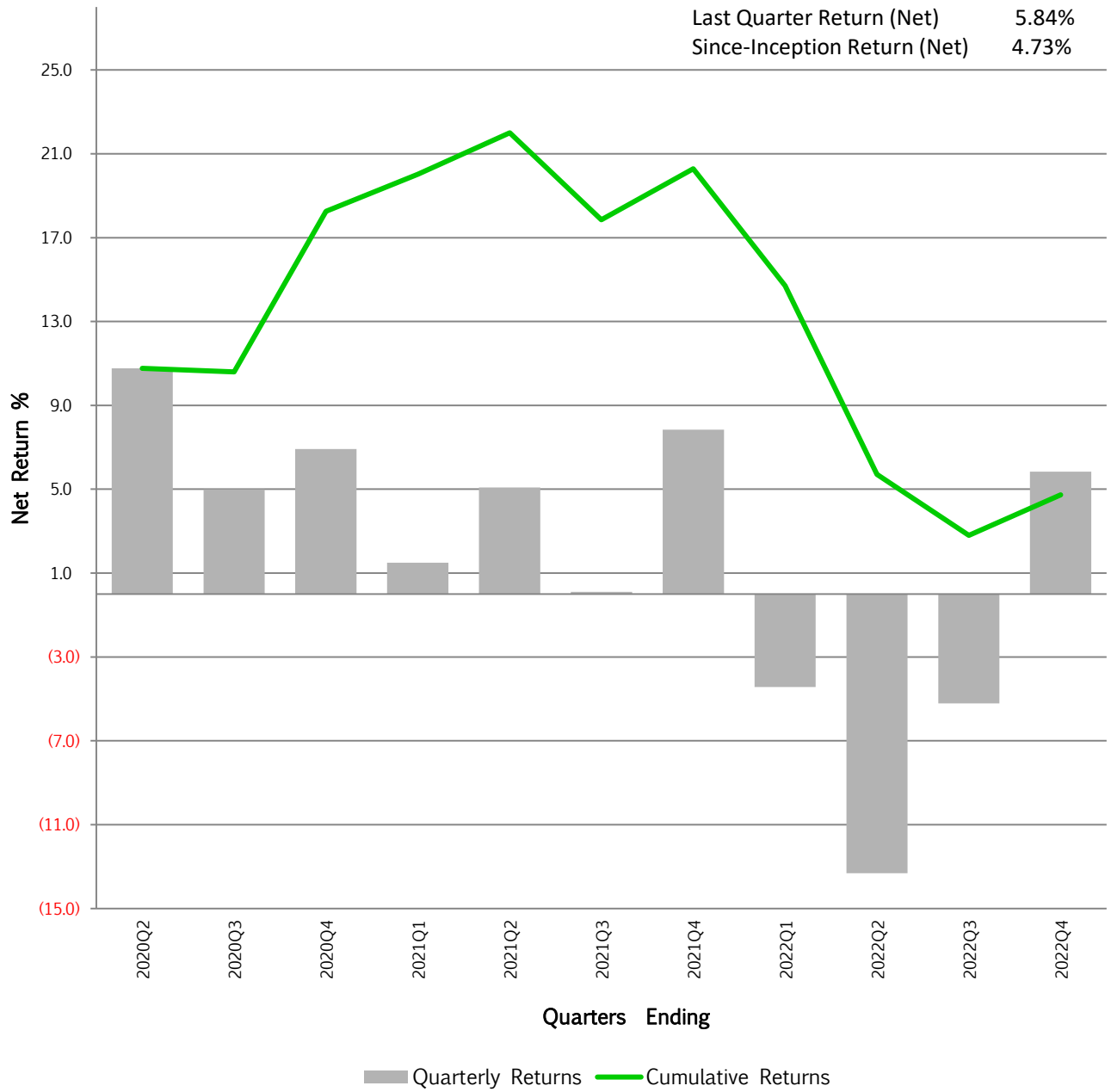
The FFE and City are key partners in seeing Imagine Kalamazoo Vision succeed and will work together to ensure maximal continuation of FFE resources for the benefit of Kalamazoo. Although this draft FFE grant recommendation to the City of Kalamazoo for the 2024 fiscal year represents a significant decrease in aspirational funding to the City, the action exists in context to nearly \$40 million of new federal aid arriving to lessen the economic fallout of the COVID pandemic and an overall positive revenue story for the City.

Staff remain available and eager to provide the Board of Directors with the information, analysis, options, and support it needs to act in the best interest of the FFE endowment for the greater good of Kalamazoo.

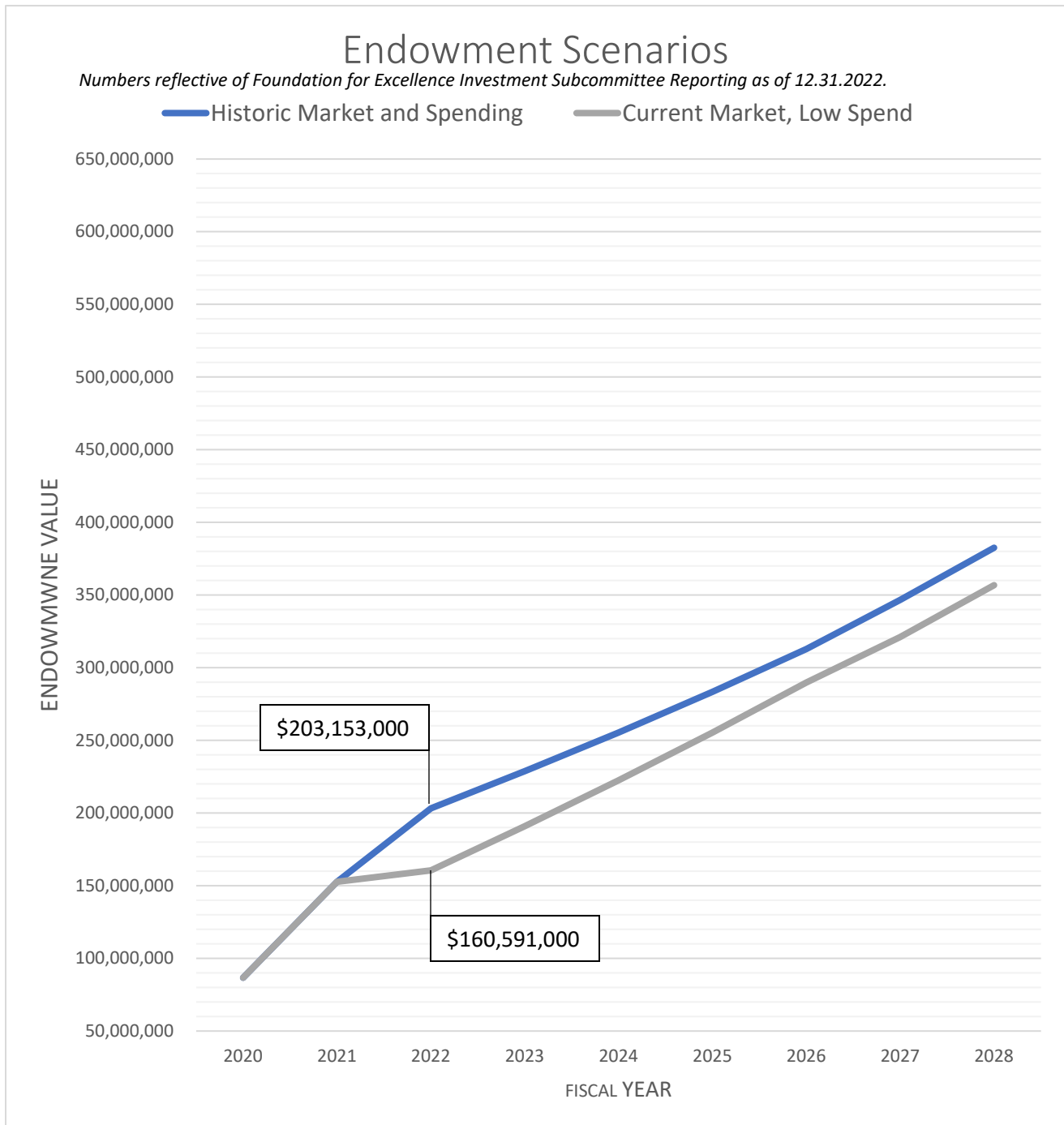
Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Shirley", is written below the text "Respectfully Submitted,".

Kalamazoo Foundation for Excellence
Quarterly vs Since-Inception (5.1.2020) Net Returns
December 31, 2022



State Street Portfolio was funded on 4/8/2020 when 465,000 shares of Stryker Stock were gifted to the Foundation.



This figure depicts the approximately \$40 million setback that was created between projections and realities during the COVID pandemic as of December 31, 2022. The lower line represents a new trend line to 2028 based on new projections of endowment growth as well as the proposed protective measures for the endowment: reduction of aspirational funding to zero until 2025 or 2026 followed by a phased resumption of granting activities. Figures are subject to change with market conditions and changes in granting activity.

Foundation For Excellence Annual Budgets

Adopted, Adjusted, Planning, and Estimated, 2017 - 2028

Updated 2/22/2023

Figures in red are estimates for planning purposes and subject to change at any time.

Area of Investment	2017 Adopted	2018 Adopted	2019 Adopted	2020 Adjusted*	2021 Adopted	2022 Adopted	2023 Adopted	2024 Planning	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2017 - 2028
Budget Stabilization	N/A	\$3,800,000	\$4,000,000	\$4,120,000	\$4,243,600	\$4,370,908	\$4,514,210	\$4,657,512	\$4,800,814	\$4,944,116	\$5,087,418	\$5,230,720	\$49,769,298
Property Tax Reduction Reimbursement	\$10,900,000	\$11,284,225	\$12,250,149	\$12,591,300	\$13,016,024	\$13,872,339	\$13,986,662	\$14,100,985	\$14,215,308	\$14,329,631	\$14,443,954	\$14,558,277	\$159,548,854
Budget and Tax Subtotal	\$10,900,000	\$15,084,225	\$16,250,149	\$16,711,300	\$17,259,624	\$18,243,247	\$18,500,872	\$18,758,497	\$19,016,122	\$19,273,747	\$19,531,372	\$19,788,997	\$209,318,152
Lead Services Replacements	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000								\$2,500,000
Safe Housing						\$406,000							\$406,000
Great Neighborhoods: Infrastructure	\$750,000	\$4,300,000	\$1,900,000	\$1,000,000	\$1,782,500	\$2,030,000	\$1,765,000						\$13,527,500
Great Neighborhoods: Park Enhancements	\$720,000	\$760,000	\$625,000	\$2,075,000	\$4,500	\$50,000							\$4,234,500
Neighborhood Engagement and Activation		\$100,000	\$150,000	\$50,000	\$100,000	\$236,500	\$135,000						\$771,500
Downtown: Inviting & Accessible Public Spaces		\$500,000											\$500,000
You / MyCity Youth Jobs	\$750,000	\$750,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000						\$5,625,000
All Things Possible	\$50,000	\$50,000	\$75,000	\$133,800	\$134,674	\$151,000	\$170,725						\$765,199
SuperRec	\$83,000	\$83,000	\$83,000	\$151,400	\$175,358	\$183,000	\$195,219						\$953,977
Youth Mobility Fund			\$250,000	\$500,000									\$750,000
Digital Access for All (COVID)				\$200,000	\$100,000								\$300,000
Childhood Savings and Wealth Building						\$50,000							\$50,000
Shared Prosperity Kalamazoo High Impact Fund	\$106,500		\$2,000,000			\$637,500							\$2,744,000
Business Development Fund		\$1,500,000	\$500,000			\$1,846,500	\$350,000						\$4,196,500
Economic Development		\$2,000,000	\$1,250,000		\$1,933,200								\$5,183,200
Affordable Housing		\$1,500,000	\$1,500,000	\$2,275,000	\$2,410,000	\$1,560,000	\$430,548						\$9,675,548
Kalamazoo Small Business Loan Fund (COVID)				\$2,000,000									\$2,000,000
Home Energy Audit				\$66,000	\$92,000	\$42,000							\$200,000
Communication & Evaluation		\$100,000	\$100,000			\$70,000							\$270,000
City Programming Personnel	\$193,000	\$285,000	\$330,000	\$455,830	\$481,858	\$520,000	\$586,368						\$2,852,056
Aspirational Projects Subtotal	\$3,152,500	\$12,428,000	\$10,088,000	\$10,232,030	\$8,539,090	\$8,607,500	\$4,457,860	\$0					\$57,504,980
FFE Operation and Fixed Costs				\$236,500			\$902,000	\$950,000					\$2,088,500
FFE Operations Subtotal	\$0	\$0	\$0	\$236,500	\$0	\$0	\$902,000	\$950,000					\$2,088,500
TOTAL FFE GRANT TO CITY OF KALAMAZOO	\$14,052,500	\$27,512,225	\$26,338,149	\$26,943,330	\$25,798,714	\$26,850,747	\$22,958,732	\$18,758,497	\$19,016,122	\$19,273,747	\$19,531,372	\$19,788,997	\$266,823,132
TOTAL FFE BUDGET	\$14,052,500	\$27,512,225	\$26,338,149	\$27,179,830	\$25,798,714	\$26,850,747	\$23,860,732	\$19,708,497	\$19,016,122	\$19,273,747	\$19,531,372	\$19,788,997	\$268,911,632

* 2020 includes upward adj. of \$2,200,000 for COVID assistance



Kalamazoo
Foundation for
Excellence

FFE Board of Directors Staff Report

TO: Foundation for Excellence Board of Directors

FROM: The Executive Committee
Steve Brown, FFE Executive Director

DATE: February 27, 2023

SUBJECT: Executive Committee

RECOMMEDATION:

This is an informational item.

BACKGROUND:

Executive Director Position Updates

- Executive Director Employment Agreements
 - It was ultimately determined that the Executive Director may not be employed directly by the Foundation for Excellence and retain access to pension, retirement, healthcare, and other benefits offered by the City. As a solution, the Executive Director remains an employee of the City, which has entered into an employee lease agreement with the FFE in fulfillment of the Board's original action to approve an employment agreement.
 - The Employee Lease Agreement with the City of Kalamazoo for the Executive Director was approved by City Commission on February 6, 2023 (G9).
- 2024 City Performance Review of Executive Director.
 - President will establish review guidelines with Executive Director for Executive Committee review using the attached Board-approved position description.
 - The first review of the Executive Director will take place in January of 2024 for the 2023 fiscal year.
 - The Executive Committee will review the Executive Director and make a recommendation to the President each January, for the year immediately preceding.

- Performance and cost of living adjustments to payroll will be made in the first quarter of the fiscal year and may be paid retroactively to January 1 as needed.
- The service agreement with the City of Kalamazoo allows for use of performance review system, but FFE needs will likely differ.



Executive Director Position Description

Board Approved on October 24, 2022

Background

The Foundation for Excellence (FFE) was incorporated in October 2017, as a 501c3 type III organization with the sole purpose of supporting the City of Kalamazoo. The FFE provides philanthropic resources for significant tax relief to all City taxpayers, budget stabilization to the City government, and annual aspirational projects that reduce generational poverty in the City of Kalamazoo. The goals of completing a \$500 million endowment and creating a permanent, durable institution of superlative integrity remain key. The FFE Executive Director is a position created by unanimous action by the Board of Directors on September 12, 2022, to operate the Foundation for Excellence. The position reports to the Board and is hired with the additional consent of the Kalamazoo City Commission per the FFE's Bylaws. The Executive Director is currently the sole staff member of the FFE.

Description and Distinguishing Features

The Executive Director is responsible for ensuring exceptional strategic staff support to the Board of Directors, including enacting Board decisions; overseeing FFE administration, daily operations, finances, compliance, and reporting; building fundraising capacity for the viability and sustainability of the FFE endowment; being the primary point of contact and spokesperson of the organization. The Executive Director is also responsible for stewarding and ensuring a close and positive relations with the City of Kalamazoo to maximize the impact of grant funds in alignment with Imagine Kalamazoo.

Examples of Duties

- Manage contracts and agreements executed by the Board of Directors.
- Ensuring compliance with all applicable policies.
- Managing complete and accurate records of FFE business including retention schedules.
- Schedule, coordinate and manage Board meetings in collaboration with the Board President, including acting as recording secretary for committee meetings.
- Maintain compliance with the Open Meetings Act (OMA) required transparency, including meeting notifications, document posting, and record keeping.
- Ensure annual financial compliance and reporting are met as outlined by law and FFE bylaws, including the annual independent audit and 990, year-end documentation with City administration and producing the FFE's annual report.
- Ensure the highest reputational quality of the FFE as a responsible and just institution.
- Play an active role in City financial processes including the annual budgeting process.
- Collaborate with City staff on program performance improvement for FFE-funded programs.
- Establish annual endowment draw schedule and administratively approve all endowment draws.
- Providing full cycle involvement in fundraising activities including overseeing creation of a fundraising plan and execution of its components, including making donor calls.
- Ensuring a complete full cycle of gift processing and donor development.
- Hiring, supervising, and developing staff.
- Other duties as assigned through action by the Board of Directors.

Empowering City of Kalamazoo residents to achieve the lives they want for themselves and their families.



Essential Qualifications

- Bachelor's degree in Business or Public Administration, or relevant professional experience.
- Minimum of five (5) years of experience with roles demonstrating increasing responsibility in non-profit or foundation management; minimum of three (3) years of experience in grant management; minimum of two (2) years managing staff.
- Knowledge of non-profit management, financial standards and compliance, grant administration, program evaluation, local government and community organizations in general with a preferred understanding of Kalamazoo in particular, fund accounting and non-profit funding practices.
- Demonstrated record of success working for a Board of Directors.
- Demonstrated record of success managing multiple high-stakes projects simultaneously.
- Strong, clear communicator and excellent interpersonal skills; proven ability to communicate with all levels effectively and positively within the organization; excellent customer service skills.
- Demonstrates a sense of urgency, prioritizes well, shows energy, responds to opportunities, instills urgency in others, and meets deadlines.
- Demonstrated proficiency with Microsoft Office, Google ecosystem, donor tracking software, data-management, and information analysis.

Physical Requirements

A qualified individual with a disability must be able to perform the essential functions of the position with or without reasonable accommodation.

- Frequently required to use hands and fingers to handle, feel or operate equipment and reach with hands and arms.
- Occasionally required to lift, move, carry, pull, and push files/objects up to 10 pounds while sitting, standing, climbing or walking.
- Required to regularly talk and hear.
- Required to occasionally stand and walk.
- Specific vision abilities required include: close vision, distance vision, color vision, peripheral vision, depth perception, and the ability to adjust focus.
- Regularly speaks clearly, using the English language.

Compensation and Benefits

- Salary range \$108,000 - \$180,000 commensurate with experience
- A competitive benefits package.



FFE Board of Directors Staff Report

TO: Foundation for Excellence Board of Directors

FROM: The Nominating Committee
Steve Brown, FFE Executive Director

DATE: February 27, 2023

SUBJECT: Nominating Committee

RECOMMEDATION:

This is an informational item.

BACKGROUND:

NOMINATING COMMITTEE REPORT

- The Nominating Committee held its first meetings after being constituted in the autumn of 2022 by Board action.
- Members continue to include Directors Bostrom, Calderon-Huezo, Salas, and A. Taylor. The Executive Director acts as clerk and recording secretary.
- The Committee discussed the process for filling Board vacancies and suggested simplifying it to ensure Board members could understand and communicate details with community members. That process has gone well with the Committee able to solicit, review, and score applications on schedule.
- At the January 30, 2023, meeting, the Committee agreed on a recommended slate of a candidate and 2 additional finalists for City Commission consideration and approval on March 20, 2023, and Board consideration and approval on April 24, 2023.
- At this time, all applicants have been informed of their standing as pending recommendation, a finalist and possible alternate, and those who were not finalists.
- The Subcommittee has also reviewed its draft description and will add finalization and approval of that to a future meeting once the full needs and detailed scope of their work is clearer from completing its first annual cycle.
- Following the January 30th committee meeting, it was determined that the Committee would not be a deciding body, only a recommending body to the Board; as such, it has

been declassified as a public meeting under the Open Meetings Act (OMA) moving forward. This also allows for remote meetings to deliberate in private, an essential requirement for topics involving sensitive applicant information. Minutes and an official schedule of meetings will continue to be kept, and all documents are subject to the Freedom of Information Act (FOIA) as before.